

Message Text

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PAGE 01 KINGST 03754 151913Z
ACTION TRSE-00

INFO OCT-01 ARA-14 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 6242

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E.O. 11652: N/A
TAGS: EFIN, EGEN, JM
SUBJECT: GOJ/IMF AGREEMENT

REFERENCE: A. KINGSTON 3729; B. KINGSTON 3741

1. FOLLOWING IS SUMMARY OF MINISTRY PAPER NO. 28 TABLED IN THE HOUSE OF REPRESENTATIVES JULY 13. THE PAPER, ENTITLED "THE IMF AGREEMENT" IS THE OFFICIAL GOJ PUBLIC RECORD OF THE TERMS AND CONDITIONS OF THE IMF/GOJ AGREEMENT.

A. JAMAICA WILL RECEIVE THREE AND ONE-THIRD ENLARGED CREDIT TRANCES UNDER A STAND-BY ARRANGEMENT TOTALLING US\$74.6 MILLION. THE PURCHASE WILL BE PHASED OVER A PERIOD ENDING JUNE 1979. THE FIRST TRANCHE OF US\$22.4 MILLION WILL BE MADE ON APPROVAL BY THE FUND BOARD PROBABLY BY THE MIDDLE OF AUGUST 1977. THE SECOND TRANCHE WILL BE AVAILABLE IN TWO EQUAL PARTS (US\$11.2 MILLION EACH) IN DECEMBER 1977 AND MARCH 1978. THERE ARE NO CONDITIONS ATTACHED TO THE DRAWING OF THE FIRST TRANCHE BUT SUBSEQUENT DRAWINGS WILL BE SUBJECT TO THE CONDITION THAT THE GOVERNMENT'S PROGRAM AS APPROVED BY THE FUND IS STRICTLY CARRIED OUT.

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B. THE PROGRAM:

1. INCOMES POLICY: SEE REFTEL B
2. FISCAL POLICY: ACCOMMODATION FROM THE BANKING SYSTEM (INCLUDING THE BANK OF JAMAICA) FOR FINANCING THE BUDGET WILL NOT EXCEED BY MORE THAN \$J45 MILLION THE AMOUNT

OF FOREIGN LOANS OBTAINED FOR BALANCE OF PAYMENTS SUPPORT. THERE WILL BE A RESTRICTION (NOT SPECIFIED) ON TOTAL FOREIGN LOANS WITH A SPECIAL LIMIT ON 1-5 YEAR TERM LOANS OF \$75 MILLION (TYPE OF DOLLARS NOT SPECIFIED) FOR THIS FINANCIAL YEAR. THIS WILL MAKE POSSIBLE THE FINANCING OF A BUDGET OF \$1.2 BILLION THIS YEAR.

3. MONETARY AND BALANCE OF PAYMENTS POLICY:

IT IS EXPECTED THAT BY FOLLOWING THE ABOVE PROGRAM THAT THERE WILL BE AN IMPROVEMENT IN THE NET RESERVES OF J\$30 MILLION BY 31 MARCH 1978, I.E., INCREASING NET RESERVES FROM J\$154 MILLION AT 31 MARCH 1977 TO J\$124 MILLION AT 31 MARCH 1978. WE ALSO EXPECT THAT IF ALL THESE ASSUMPTIONS HOLD IT WILL BE POSSIBLE TO EXPAND IMPORTS TO J\$800 MILLION AT THE BASIC RATE.

4. EXCHANGE CONTROLS AND EXCHANGE RATE:

A. THE GOVERNMENT WILL CONTINUE TO PAY ITS INTEREST AND DEBT SERVICE CHARGES ON ITS OWN FOREIGN DEBT AND GUARANTEED DEBT.

B. FOREIGN EXCHANGE WILL BE PROVIDED ON A CURRENT BASIS TO MEET PAYMENTS DUE FOR IMPORTS ON THE BASIS OF THE PAYMENT SCHEDULE SET OUT IN THE IMPORT LICENSE.

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C. PRIVATE SECTOR SERVICE PAYMENTS WILL BE PUT ON A CURRENT BASIS WITHIN A REASONABLE PERIOD. PAYMENTS SUCH AS ROYALTIES, TRADEMARKS, COMMISSIONS, FEES, MANAGEMENT EXPENSES, INSURANCES, ETC., WILL BE SUBJECT TO REVIEW TO DETERMINE IF THE SERVICES ARE IN THE COUNTRY'S INTEREST. WHEN A DECISION HAS BEEN TAKEN TO APPROVE PAYMENT THE AMOUNT DUE WOULD BE PUT ON A CURRENT BAYVXAIMV

D. BACKLOGS FOR PAYMENTS ELIGIBLE UNDER THE EXISTING GUIDELINES WILL BE CLEARED BY 31 DECEMBER 1977.

E. ARREARS WHICH HAVE ACCUMULATED ON INTEREST PAYMENTS AND OTHER SERVICE PAYMENTS WHICH ARE BONA FIDE AND NOT DISGUISED CAPITAL TRANSFERS WILL BE ELIMINATED BY 30 JUNE 1978.

F. NON-BUSINESS PAYMENTS SUCH AS HOLIDAY TRAVEL WILL BE REVIEWED IN MAY 1978.

G. PAYMENTS OF PRINCIPAL DUE ON PRIVATE BUSINESS DEBT
WILL REVIEWED ON AN AD HOC BASIS. A FULL REVIEW

WILL BE MADE IN MAY 1978. THE GOVERNMENT DOES NOT
INTEND TO INTENSIFY EXISTING RESTRICTIONS OR
INTRODUCE NEW RESTRICTIONS ON CURRENT PAYMENTS.

H. THE EXCHANGE RATE WILL BE KEPT UNDER REVIEW.

5. THERE WILL BE AN OVERALL PROGRAM REVIEW IN OCTOBER 1977
AND A FURTHER REVIEW IN MARCH 1978. IT WILL THEN BE
DETERMINED WHETHER TO USE THE REMAINING ONE AND ONE-THIRD
CREDIT TRANCES FOR 1978 OR WHETHER A NEW AGREEMENT SHOULD

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BE WORKED OUT WITH THE FUND FOR USE OF THE EXTENDED FUND
FACILITY.

6. THE PROGRAM PRESENTED IS ONE ASPECT OF AN ECONOMIC PROGRAM
WHICH THE GOVERNMENT WOULD HAVE HAD TO ESTABLISH WHETHER
OR NOT THERE WERE DISCUSSIONS WITH THE FUND.

C. PRELIMINARY ESTIMATES FOR THIS FINANCIAL YEAR SHOW THAT THERE
WILL BE A TOTAL OF \$190 MILLION IN FOREIGN CREDITS (TYPE OF
DOLLARS NOT SPECIFIED) INCLUDING FUND RESOURCES. THIS DOES
NOT INCLUDE LOANS ALREADY SPOKEN FOR AND IN THE BUDGET.

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Message Attributes

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Decaption Note:
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Disposition Comment:
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Disposition History: n/a
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